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## Mortgage Rates Jumped Over 7% This Week, Even if You Heard They Were 6.71%

Mortgage rates have been hovering in the high 6's for weeks, but they broke above 7% on Thursday. At the same time, multiple news outlets reported a 30yr fixed rate of 6.71%. Who's lying?

While the 6.71% news may be prolific, it is all traced back to one source: Freddie Mac's weekly rate survey. This is the longest-standing mortgage rate index in the US and the most widely cited. It does a great job of capturing general levels over the long run, but it doesn't necessarily line up with the reality in the trenches on any given day.

Here's the reality: 6.71% implies widespread availability of 6.625% and 6.75% (rates are most frequently offered in .125% increments, and 6.71% is an average). You could certainly get a rate of 6.625% if your scenario, credit, and down-payment were ideal, but at the average lender, you'd be paying a bit more upfront.

In other words, you'd be paying "points" in some form or another. Freddie's survey used to collect information on points. It no longer does. That means a loan at 6.625% with 1 point is counted the same as a loan at 6.625% and no points. But those two loans are not the same. In fact, a point is worth roughly 0.50% in rate! So the "no point" equivalent of 6.625% is actually 7.125%.

The other complicating factor is that Freddie reports the average rate over the preceding 5 business days. In this week's case, rates were in the process of jumping on Thursday--a day that won't be reflected in Freddie's numbers until next week.

With all that in mind, it's less of a surprise to consider that MND's rate index (which accounts for points) jumped back over 7% on Thursday and has been running slightly higher in general.

### National Average Mortgage Rates



	Rate	Change	Points
<b>Mortgage News Daily</b>			
30 Yr. Fixed	6.89%	0.00	0.00
15 Yr. Fixed	6.33%	+0.01	0.00
30 Yr. FHA	6.33%	+0.01	0.00
30 Yr. Jumbo	7.05%	0.00	0.00
5/1 ARM	6.58%	0.00	0.00

#### Freddie Mac

30 Yr. Fixed	6.77%	-0.09	0.00
15 Yr. Fixed	6.05%	-0.11	0.00

Rates as of: 7/22

#### Market Data

	Price / Yield	Change
MBS UMBS 5.5	99.34	-0.06
MBS GNMA 5.5	99.73	-0.04
10 YR Treasury	4.2608	+0.0229
30 YR Treasury	4.4781	+0.0313

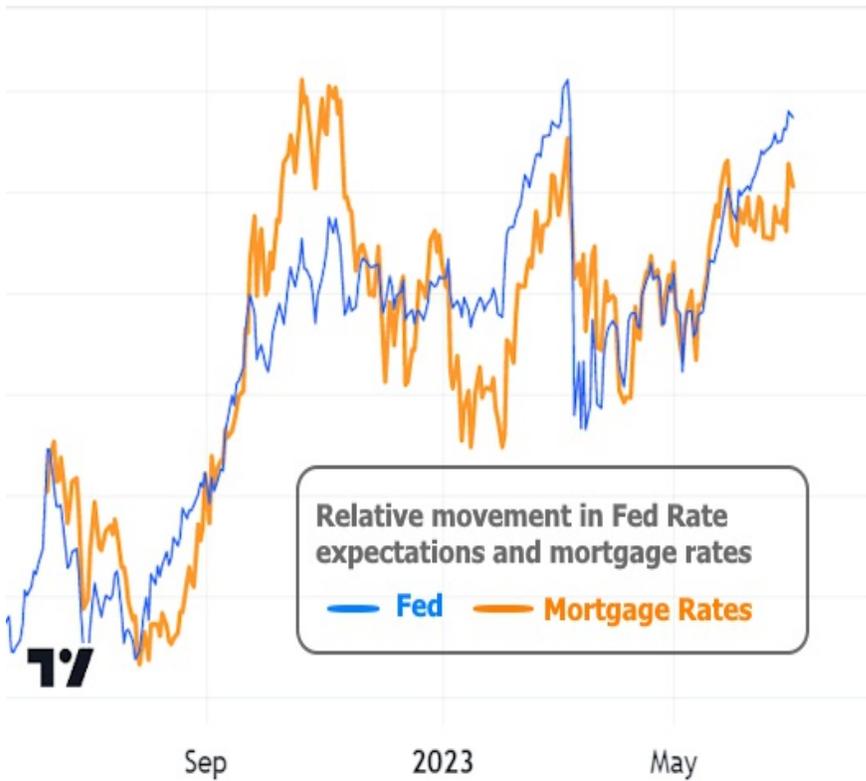
Pricing as of: 7/22 2:58PM EST

#### Recent Housing Data

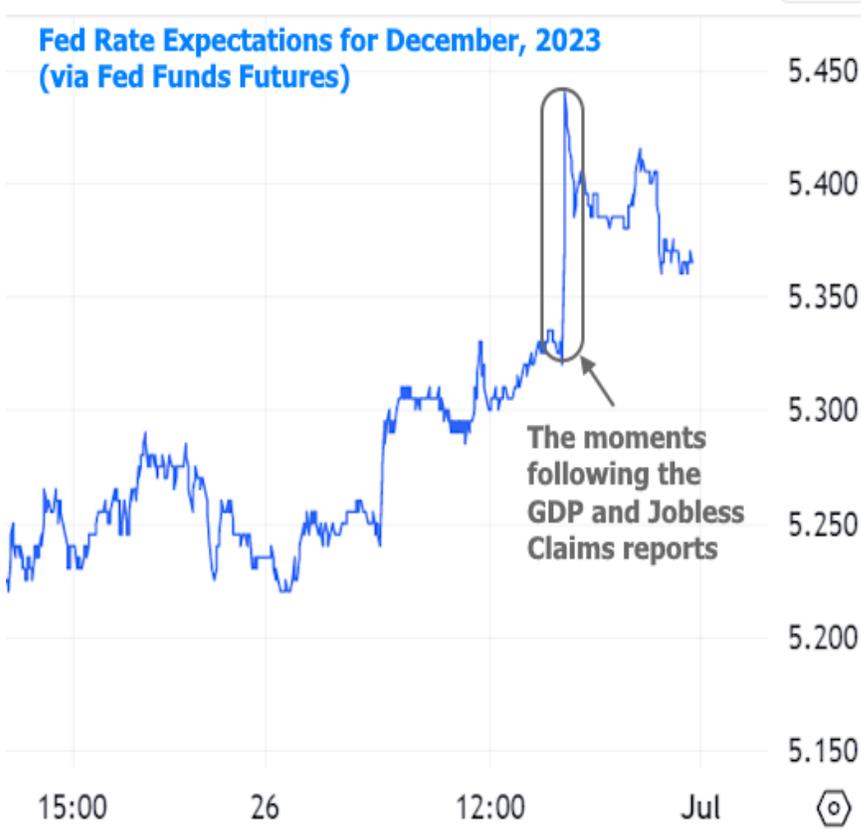
	Value	Change
Mortgage Apps	Jul 10 206.1	-0.19%
Building Permits	Mar 1.46M	-3.95%
Housing Starts	Mar 1.32M	-13.15%
New Home Sales	Mar 693K	+4.68%
Pending Home Sales	Feb 75.6	+1.75%
Existing Home Sales	Feb 3.97M	-0.75%
Builder Confidence	Mar 51	+6.25%



Thursday's jump was driven by data. Both GDP and Jobless Claims data turned out to be stronger than expected. Strong data tends to push rates higher--especially at present when market participants know that economic resilience means a resumption of rate hikes from the Fed. The Fed doesn't set mortgage rates directly, but expectations for future hikes correlate with mortgage rate movement.



And here's a closer look at how Fed rate expectations evolved this week:



We can get more perspective on recent rate movement by examining 10yr Treasury yields, which tend to move much like mortgage rates. Last week, we examined a 10yr yield range between 3.72 and 3.84%. This has been a mostly boring sideways grind as the market waits for data like Thursday's. Interestingly enough, Thursday just barely resulted in a challenge to the ceiling, and yields were back in the range by Friday.



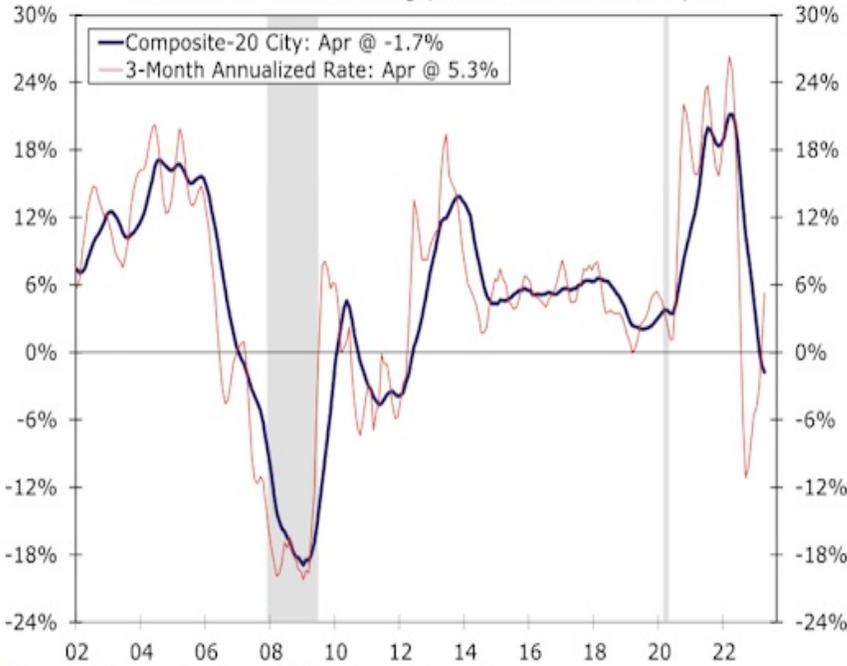
What's the significance? It simply speaks the indecision that continues plaguing the rate market. This range is a drop in the bigger picture bucket. It will take much bigger moves driven by much more data to create meaningful change in the rate landscape.



In this week's housing-related data, home prices defied expectations with FHFA's index rising 0.7% in April. Case Shiller's index was expected to fall 2.6%, but fell only 1.7% over the same time (it is more volatile than FHFA).

### S&P CoreLogic Case-Shiller 20-City HPI

Year-over-Year Percent Change, 3-Month Annualized Rate, SA



Source: S&P CoreLogic and Wells Fargo Economics

New Home Sales came in much higher than expected, and have generally been the saving grace for home sales data as high rates keep homeowners reluctant to give up the low rates on their existing homes.



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### Recent Economic Data

### Event Importance:

No Stars = Insignificant

☆ Low

Date	Event	Actual	Forecast	Prior
<b>Tuesday, Jun 27</b>				
8:30AM	May Durable goods (%)	1.7%	-1%	1.2%
9:00AM	Apr FHFA Home Price Index m/m (%)	0.7%	0.3%	0.5%
9:00AM	Apr FHFA Home Prices y/y (%)	3.1%	3.1%	3.7%
9:00AM	Apr Case Shiller Home Prices-20 y/y (%)	-1.7%	-2.6%	-1.1%
10:00AM	Jun Consumer Confidence (%)	109.7	104	102.5
10:00AM	May New Home Sales (ml)	0.763M	0.675M	0.68M
<b>Thursday, Jun 29</b>				
8:30AM	Jun/24 Jobless Claims (k)	239K	265K	265K
8:30AM	Q1 GDP sales Final (%)	4.2%	3.5%	1.1%
10:00AM	May Pending Home Sales (%)	-2.7%	-0.5%	-0.4%
<b>Friday, Jun 30</b>				
8:30AM	May Core PCE Inflation (y/y) (%)	4.6%	4.7%	4.7%
8:30AM	May Core PCE (m/m) (%)	0.3%	0.3%	0.4%
9:45AM	Jun Chicago PMI	41.5	44	40.4
10:00AM	Jun Consumer Sentiment (ip)	64.4	63.9	59.2
10:00AM	Jun Sentiment: 1y Inflation (%)	3.3%		4.2%
10:00AM	Jun Sentiment: 5y Inflation (%)	3%		3.1%
10:00AM	Jun U Mich conditions	69	68	64.9
<b>Monday, Jul 03</b>				
10:00AM	Jun ISM Manufacturing PMI	46	47	46.9
<b>Wednesday, Jul 05</b>				
2:00PM	FOMC Minutes			
<b>Thursday, Jul 06</b>				
7:00AM	Jun/30 MBA Refi Index	421.3		439.2
7:00AM	Jun/30 MBA Purchase Index	162.4		170.3
8:15AM	Jun ADP jobs (k)	497K	228K	267K
8:30AM	Jul/01 Jobless Claims (k)	248K	245K	236K
9:45AM	Jun S&P Global Services PMI	54.4	54.1	54.9
10:00AM	Jun ISM N-Mfg PMI	53.9	51	50.3
10:00AM	May USA JOLTS Job Openings	9.8M	9.935M	10.32M
<b>Friday, Jul 07</b>				
8:30AM	Jun Unemployment rate mm (%)	3.6%	3.6%	3.7%
8:30AM	Jun Average earnings mm (%)	0.4%	0.3%	0.4%

- ★ Moderate
- ★★ Important
- ★★★ Very Important

## Update: Buyer Broker Agreement

After requests from real estate companies, a nonprofit consumer watchdog group the Consumer Federation of America has developed a list of factors to consider when creating a buyer contract in preparation for upcoming practice changes in the industry.

CFA released its "Proposed Criteria for Evaluating Home Buyer Contract Forms" on Tuesday. The 15 criteria focus on the contracts' form – whether the documents are readable and understandable – and content – whether they are fair to homebuyers.

- the document's expiration date (CFA recommends buyers asks for a three-month contract and never sign one longer than six months)
- the right to terminate the contract
- the disclosure that compensation is negotiable
- the broker's compensation clearly stated and that the buyer broker can't receive additional compensation for facilitating a sale
- that any additional fees, such as for showing a home, will be deducted from the broker's commission if there is a successful sale
- that the commission is due only if there is a successful closing
- that buyers have an obligation – for no longer than 60 days, CFA recommends – to pay a broker who earlier showed them a home they purchased after the contract ended
- seller concessions paid directly to buyers
- dual agency not pre-approved by the contract
- an explanation of how a broker treats different buyer clients interested in the same property
- that buyers should not be required to first go through mediation or arbitration if they have a complaint

Contact me for more information. 702-303-0243 or [TPayne@loandepot.com](mailto:TPayne@loandepot.com)

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